

**STATEMENT
of
HI Tech Services, Incorporated**

Presented by

Robert G. Hesser

President and Chief Executive Officer

**Before the
House Committee on Veterans' Affairs
Subcommittee on Benefits**

Regarding

**H.R. 1460, the Veteran's Entrepreneurship Act of 2003
and
H.R. 1712, the Veterans Federal Procurement
Opportunity Act of 2003**

April 30, 2003

Good Afternoon, Chairman Brown, Ranking Democrat Michaud, and your distinguished colleagues on this panel. My name is Bob Hesser; I currently serve as President of HI Tech Services, Incorporated dba **HITS**, a Virginia “C” Corporation. I thank you for this opportunity to appear here today to present my views regarding a vital veterans issue of providing veteran-owned and service-disabled veteran-owned small business an equal opportunity to compete for Federal government procurements

My testimony concerns H.R. 1460 and H.R. 1712, as they will impact veteran-owned and service-disabled veteran-owned small businesses. An attachment to my testimony addresses each section in more detail. Section 4, H.R. 1460 will not be necessary if H.R. 1712 is passed. I believe the thoroughness of H.R. 1712 will provide guidance to federal contracting officers, other federal employees, and prime contractors so necessary since passage of P.L. 106-50, The Veterans Entrepreneurship and Small Business Development Act of 1999.

Since passage of P.L. 106-50, (August 17, 1999) I have attended over sixty small business conferences, met with over one hundred government officials, met with most of the top fifteen Federal government prime contractors, and worked with several veteran-owned and service-disabled veteran-owned small businesses. I am an active member of the Task Force for Veterans Entrepreneurship (TFVE), as well as a member of veteran services organizations. I make this point because I want it to be clear that my knowledge and experience is beyond personal experience in establishing HITS. My perspective is assuredly different from those without the same experiences. This testimony is my personal viewpoint and does not represent any other organization or person.

I want to make FIVE points within my verbal testimony.

1. Thus far, P.L. 106-50, insofar as procurement opportunity is concerned, has provided nothing but a guinea stamp to veteran and service-disabled veteran-owned small businesses.

2. As a retired U. S. Navy Master Chief with eight subsequent years as a Government employee replacing two major IT systems through the Federal procurement system, with seven years working with 8(a) firms, and three years establishing HITS I firmly believe that the proposed legislation is sorely needed. Contracting Officers and federal managers must have ALL the tools they need or P.L 106-50's purpose will never be realized.

3. Large Businesses rarely achieve subcontracting goals. H.R. 1712 will result in improved achievement of prime and subcontracting goals for all groups (8(a), SDB, WOB, HUBZone, VOB, and SDVOB). I believe H.R 1712 addresses the provisions in Section 4 of H.R. 1460.

4. Any legislative change made to the Small Business Act and thus Federal Acquisition Regulations Part 19, will provide little improvement upon Federal procurement from small business, as long as the General Services Administration (GSA) has the ability to exempt FAR Part 19 from GSA Schedule contracts. During Fiscal Year 2002, GSA Schedule Sales equaled \$22,070,586,590. GSA Schedule spending rose from 7 percent to 31 percent of total procurement dollars from 1997 through 2002, while full and open competition spending decreased from 57 percent to 41 percent. ("GSA Spending is On the Rise," Federal Computer Week, April 4, 2003.) GSA can no longer be allowed to dance around the Small Business Act.

5. I do not know how many procurement dollars went to small business. I do not think anybody knows. Statistics from the Federal Procurement Data Center are the best available. I highly suspect their accuracy because many of the same procurement dollars are counted as 8(a), veteran, and service-disabled veteran owned. From personal experience, I know that the few contract actions my company had during 2002 are only 50% accurate. If these few transactions are inaccurate, I cannot trust the others. Contracting officers do typically report more than one category per transaction.

Closing

Mr. Chairman, we need congressional support now. I have shared my opinions with you today because I, as well as many of my fellow veterans and service-disabled veteran business associates, believe we have a right to a fair and equitable playing field. I support the combining of H.R. 1712 and H.R. 1460 as stated. We desperately need this legislation. Without this legislation, we actually have nothing. I want to point out again, that P.L. 106-50, insofar as procurement opportunity is concerned, has provided nothing but a guinea stamp to service-disabled veteran-owned small businesses.

Thank you for the opportunity to appear here today to share my views on these issues so vital to the well being of America's veterans. I request that my written testimony be made part of the record. I will be happy to answer any questions.

H.R. 1460, the Veteran's Entrepreneurship Act of 2003

H.R. 1460, Section 2 would allow veterans to use VA education benefits to enroll in a non-degree, non-credit business course in order to obtain pre-entrepreneurship training and skills building. This is a great idea to make up the loss veterans experience during their active duty. Rarely does active duty service provide business on-the-job training. When a veteran enters the business environment after active duty he/she begins with a disadvantage. Section 2 will help level the playing field.

I highly support Section 3. Today, when a service-disabled veteran wants to open a business to become self-sufficient or to supplement their insufficient income they are penalized because they lose their Vocational Rehabilitation support. Often the VA Rehabilitation program is the only support they have beyond the meager financial support from VA Compensation they cannot survive financially, without it. Until the service-disabled veteran has reached a level of reasonable success in their business endeavor, they must be allowed to continue in the VA Rehabilitation program.

Section 4 provides a tool to federal contracting officers to utilize service-disabled veteran-owned small business as a sole source purchase. The provisions in Section 4 do not distinguish between a service-disabled veteran-owned small business owned and operated by an individual with significant net worth and those with a disadvantaged net worth. The Small Business Act makes a distinction between those individuals considered economically disadvantaged and those who are not. A SDB is socially disadvantaged and a SDB 8(a) is socially and economically disadvantaged. In August 1997, the Small Business Administration modified the non-competitive rule by changing the \$5,000,000 and \$3,000,000 MINIMUM contract value to a \$5,000,000 and \$3,000,000 MAXIMUM contract value. I believe the purpose behind this change was because a small percentage of SDB 8(a) firms were receiving the largest percentage of SDB 8(a) non-competitive

dollars with the majority receiving none. Further restrictions were put on 8(a) non-competitive awards through changes to 13 CFR Section 124.519. These rules established that any 8(a) firm, after December 31, 1997, receiving over \$100,000,000 during the life of their program couldn't receive further non-competitive awards. This was another indication that some 8(a) firms were more successful than desired by the program. I believe that Section 4 of H.R. 1460 will not alone provide the tools necessary to provide an even playing field to service-disabled veteran-owned small businesses. Section 4 alone will give an unfair advantage to economically strong service-disabled veteran-owners. Section 4 criteria are contained within H.R. 1712. H.R. 1712 has provisions that distinguish between economically disadvantaged service-disabled veteran-owned firms and service-disabled veteran-owned small businesses that are not.

H.R. 1712, the Veterans Federal Procurement Opportunity Act of 2003

Section 2 of H.R. 1712 will establish a program *similar* to the program established for eligible section 8(a) participants. It also distinguishes between the service-disabled economically disadvantaged veteran and the service-disabled veteran needing additional opportunities but not those offered by a program similar to eligible section 8(a) participants. Such an action will provide the tools proposed within H.R. 1460, Section 4.

H.R. 1712 Section 4 addresses agency goals. On February 5, 2003, the Administrator for Federal Procurement Policy testified before the Committee on Veterans Affairs. During that testimony, detailed statistics from the Federal Procurement Data System (FPDS) were provided. Those statistics represented the Administration's evaluation as to the percentage of procurement dollars awarded to veteran-owned small businesses and service-disabled veteran-owned small businesses. I believe those statistics are the most accurate available to the Federal government. I also believe they are highly inaccurate. My beliefs are based on limited factual research and on verbal conversations with many government small business and contracting officer employees. The practice of counting procurement dollars against two or more procurement goals is

almost standard practice. Some contracting officers adamantly believe it is required. If this is true, then all procurement goal attainment figures are suspect. H.R. 1712 Section 4(a)(g)(9), DOUBLE COUNTING PROHIBITED is necessary to ensure this does not happen.

H.R. 1712, Section 4(a)(g)(10) RESTRICTION ON USE OF FUNDS IN CASE OF FAILURE TO ACHIEVE GOALS – will assist contracting officers in enforcing rules that have existed for years. Federal Acquisition Regulations (FAR), Subpart 19.708(b)(2) requires insertion of clause 52.219-16, Liquidated Damages-Subcontracting Plan for all solicitations and contracts requiring the subcontract clause. However, enforcement by the contracting officer can be influenced by forces beyond the contracting officer sphere of influence within a particular agency. It is extremely rare that Liquidated Damages are assessed. It is also rare that all subcontracting goals are met. The proposed Section 4 will provide the contracting officer a must follow rule not subject to the subjectivity in FAR 52.219-16.

H.R. 1712, Section 5(c) REQUIRED PENALTY FOR MATERIAL BREACH – coupled with Section 4(a)(g)(10) will give contracting officers, as well as prime contractors, reason for ensuring subcontract plans are given the attention necessary to ensure success of the programs.

FAR 52.219-10 Incentive Subcontracting Program has existed for years. It is in all solicitations and contracts. Incentive awards are not normal. With H.R. 1712 in place subcontract plans should be met, agencies will benefit because they met their goals, and monetary incentives should increase.

H.R. 1712 will be difficult to implement because we Americans do not always appreciate change. We do support fairness for all. H.R. 1712 will benefit all small business firms not just 8(a), SDB, WOB, HUB Zone, VOB, and SDVOB firms. I believe H.R. 1712 will create a procurement environment that can only end in a WIN-WIN result.

GSA Schedule Contracts Deplete the Advantage of Small Business Legislation

I want to address the present FAR rules concerning GSA Schedules. The federal government has changed the way it does business. GSA Schedule buying is the most visible.

Large businesses use the GSA Schedule extensively for product and service sales. Many agencies have issued Blanket Purchase Agreements (BPA's) covering the entire time of the schedules which is 5-years with extensions up to 10-years. The BPA's are agreements that the agency will use the specified schedule for a specified period and specified requirements. If an agency requires a product or service not available on the existing schedule GSA now allows the agency to add the line items on the BPA.

GSA Schedule revenue is dominated by large business. Domination in the Information Technology area is staggering. FAR 8.04 exempts FAR 19 from GSA Schedule contracts. The GSA Solicitation for a GSA Schedule does reference FAR Part 19 clauses on subcontracting plans by stating "for reference purposes." This reference is a recent change. P.L. 106-50 provisions do not have the same status in GSA Schedules as it does in all other contracts within the Federal government. Final passage of H.R. 1712 and/or H.R. 1460 will also not have the same status with GSA. I recommend this problem be addressed through legislation. Procurement dollars that should be going to small business are making large business larger because of FAR 8.04.

Robert G. Hesser

In 1963, Mr. Robert G. “Bob” Hesser joined the Navy where he received his first introduction to computers. During his 21 years of service, Mr. Hesser gained extensive knowledge of the IT industry and received his MBA in Computer Information Systems. On May 1, 1984, he was transferred to the Service Disabled Retirement List as a Master Chief Cryptologic Technician (E-9).

After leaving the Navy, Mr. Hesser spent the next 6-years working with Naval Sea Systems Command as an IT Manager. While there, some of his most significant contributions were his efforts and leadership in the Nation-wide automation of Navy Commands. In 1984, he began his active support of individuals with disabilities and assisted them in finding employment within the federal government.

Mr Hesser then spent two years working with U.S. Department of Agriculture (USDA) where he was responsible for automating 129 locations by replacing a minicomputer system with the first Frame Relay microcomputer Wide Area Network under FTS2000. Because of his previous work with disabled persons, he was selected to represent USDA on several federal committees for identifying accommodations for the disabled and agency compliance with the American Disability Act (ADA). He defined the hardware and software used to establish the USDA Disabilities Accommodation Center, Washington, D.C..

In 1993, he left the government and formed HI Tech Services (HITS) to provide consulting services to business and government with a strong focus on assisting Small Disadvantaged Business 8(a) firms. He was given opportunity to apply his extensive background and knowledge in IT to assist small IT companies to obtain success.

Mr. Hesser currently provides extensive support for Service Disabled Veterans and is an active member in the Task Force for Veterans Entrepreneurship (TFVE).

Federal Contracts Statement

April 30, 2003

HI Tech Services, Incorporated (HITS) is registered as a Virginia “C” Corporation. HITS is primarily a Federal and States Information Technology System Integration company. A five year GSA Schedule 70 (GS-35F-0509K) was awarded to HITS on July 7, 2000.

HITS has contracted with several Federal agencies for IT products and services, both open-purchase and GSA Schedule sales.

10/15/2001	Export Import Bank	60,324
01/17/2002	Office Secretary of Defense	259,816
02/07/2002	Office Secretary of Defense	1,5014
05/30/2002	NRC	1,6331
06/05/2002	DIA	3,7411
10/10/2002	VA Topeka KS	962
10/28/2002	PEO EIS Ft Detrick	10,995
11/27/2002	99CS Nellis AFB	14,030
12/19/2002	COMSUBGRU 8	2,745
01/10/2003	COMSUBGRU 8	17,412
02/14/2003	Office of Secretary of Defense	368
03/06/2003	US Courts Detroit MI	56,952
04/09/2003	US Courts Memphis TN	94,580

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